

SEALED BY ORDER
OF THE COURT

United States District Court
NORTHERN DISTRICT OF CALIFORNIA

ORIGINAL
FILED
DEC - 9 2004
RICHMOND
U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND

UNITED STATES OF AMERICA

v.

Laurence Seidenfeld aka Larry
Seidenfeld
3015 Monte Video Drive
San Ramon, California 94583

(Name and Address of Defendant)

CRIMINAL COMPLAINT

CASE NUMBER:

4-04-0215

I the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. On or about December, 2003 in Contra Costa county, in the Northern District of California defendant(s) did, (Track Statutory Language of Offense) did knowingly execute and attempt to execute a scheme and artifice to defraud a federally insured financial institution

in violation of Title 18 United States Code, Section(s) 1344

I further state that I am a(n) Special Agent and that this complaint is based on the following facts:

See attached Declaration of Special Agent Christine A. Hemje incorporated herein by reference

Continued on the attached sheet and made a part hereof.

☒ Yes

☐ No

Approved
As To
Form

Maureen C. Besette
AUSA Maureen C. Besette

SA Christine A. Hemje
Name/Signature of Complainant Christine A. Hemje, Special Agent

Sworn to before me and subscribed in my presence,

Date

12/9/04

at

Oakland, California

City and State

Wayne D. Brazil, U.S. Magistrate Judge

Name & Title of Judicial Officer

Wayne D. Brazil
Signature of Judicial Officer

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AFFIDAVIT

I, Christine A. Hemje, being duly sworn, hereby depose and state as follows:

I. INTRODUCTION

1. I am a Special Agent with the Federal Bureau of Investigation ("FBI") and have been so employed since June 4, 1984. I am assigned to the Concord Resident Agency of the FBI. Over the last 20 years, I have participated in numerous investigations involving health care fraud, money laundering and bank fraud. In accordance with my duties as a Special Agent, I am assigned to investigate violations of federal law, including Bank Fraud, a violation of Title 18, United States Code, Section 1344.

2. This affidavit is submitted in support of an application to arrest Laurence Seidenfeld aka Larry Seidenfeld for violations of Bank Fraud, 18 U.S.C. § 1344.

3. The statements contained in this affidavit are based on my own investigation, my training and experience as a law enforcement agent, as well as information provided to me by and or through other law enforcement agents, investigators and individuals with knowledge of this matter, during the course of my investigation. This affidavit summarizes such information but does not purport to set forth all of the evidence gathered to date in this investigation.

II. INVESTIGATION

1. Over the last month, I have been conducting an investigation into CHL Mortgage Group, Inc. ("CHL"), a California corporation controlled by Laurence Seidenfeld, aka Larry Seidenfeld ("Seidenfeld"). This business is located at 2000 Crow Canyon Place, Suite 400, San Ramon, California. I have learned that CHL has approximately 20 employees. Seidenfeld is the President, CEO, Chairman and is in charge of marketing; Ed Batayeh is the Executive Vice President, Chief Operating Officer and Director of Operations; Robert Bindt is Senior Vice President, Strategic Ventures; and Bart Podgorsky is the Corporate Underwriter and is involved in notarizing loans administered by CHL. Based on this investigation, it appears that Seidenfeld and CHL have been engaged in Bank Fraud, in violation of 18 U.S.C. § 1344, by fraudulently obtaining residential property loans on borrowers (the property owner) without the borrower's approval or knowledge,

1 and then selling these loans multiple times to various warehouse banks/lenders and investors,
2 without the warehouse banks/lenders and investors' knowledge.

3 A. Gateway Bank

4 2. On November 19, 2004, I spoke with Michael Kenny, Vice President, Director of Quicksale
5 Lending, Gateway Bank, F.S.B ("Gateway"), in San Leandro, CA. I learned that Gateway, a
6 federally insured financial institution, is a warehouse bank which provides temporary lines of credit
7 to mortgage companies like CHL, which do not have their own funding. Gateway buys loans from
8 CHL (the lender). On November 19, 2004, Kenny told me the following:

9 a. Between June 30, 2004 and October 15, 2004, CHL sold 16 residential mortgage loans to
10 Gateway. These loans totaled \$7,515,760 in face value. Kenny told me that these loans remain
11 outstanding in violation of CHL's \$20 Million Master Loan Purchase Agreement with Gateway
12 dated February 12, 2004. Gateway determined that 3 of the loans were purportedly made by
13 CHL to a borrower by the name of Vera Morris, who told him that the signatures on the Deeds
14 of Trust for these loans were not her signature and that she did not own any of the three
15 properties underlying the loan.

16 b. Another of the loans was purportedly made to Renata Furtak. Ms. Furtak told Kenney that
17 she had no knowledge of the loan and that the signature on the Deed of Trust was not hers. Ms.
18 Furtak stated that the property in question was her primary residence and she had obtained the
19 original mortgage from CHL on this property May 3, 2004. Thereafter, in May 2004, CHL sold
20 the loan to Countrywide Home Loans and she has been making payments to Countrywide Home
21 Loans since June 2004.

22 c. Following this interview, on November 23, 2004, Ms. Furtak met with Phil Venable
23 ("Venable"), Inspector, Contra Costa County, Office of the District Attorney. Ms. Furtak said
24 that in October 2004, she received a call from Gateway about a mortgage that they were about
25 to purchase from CHL on her property. Ms. Furtak contacted Bart Podgorski of CHL and he
26 confirmed that the loan was still with Countrywide. Ms. Furtak went through the loan
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1 documents with Venable and identified many signatures which were purportedly hers but were
2 not.

3 d. Kenny met with Terry Rummel who told Kenny that he (Rummel) met with Seidenfeld during
4 the week of November 29, 2004. Rummel asked Seidenfeld why several mortgages were taken
5 out on his property. Seidenfeld told Rummel that there were a "shitload" of fraudulent loans [at
6 CHL] taken out by Ed Batayeh.

7 **B. Aurora Loan Services, Inc.**

8 3. On December 7, 2004, I spoke with James Goldman ("Goldman"), Investigator for Aurora
9 Loan Services Inc. ("Aurora"), which is wholly owned by Lehman Brothers Bank, a federally insured
10 financial institution. Aurora is an investor located in Littleton, Colorado. On August 29, 2002,
11 Aurora entered into a Correspondent Agreement with CHL, pursuant to which CHL agreed to sell
12 and Aurora agreed to buy residential mortgage loans. Thereafter, pursuant to this agreement, from
13 July 2003 through July 2004, Aurora purchased several loans from CHL. Goldman informed me of
14 the following:

15 a. Poppy Maraxas, Gateway's CEO, called Aurora's Vice President of Quality Control John
16 Gray ("Gray") and the head of Aurora's Special Investigations Department and told him that
17 Gateway had 8 loans that she had contracted to sell to Aurora at a future date and she had
18 discovered that each of these loans had been "double sold" by CHL. Ms. Maraxas stated that she
19 had learned this from First Collateral. "Double sold" generally means that a lender fraudulently
20 sells one loan to more than one investor.

21 b. Deborah Whiteside at Access Lending, the warehouse bank on each of these loans, called
22 Aurora to alert it to the same problematic CHL loans and to raise concerns about additional CHL
23 loans.

24 c. Goldman reviewed loans that Aurora had purchased from CHL, and found 3 double sold
25 notes, totaling \$1,740,000.
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1 d. Goldman told me that he had learned from his investigation that Margo Olson, a bookkeeper
2 for CHL, that Ms. Morris is a former employee of CHL who lost her broker's license and had a
3 "falling out" with Seidenfeld.

4 e. Goldman advised that Aurora does not have any collateral on these loans because they do not
5 have the first legitimate loan and do not hold the promissory note. At the time it purchased these
6 CHL loans, Aurora believed that it was purchasing authentic, original, enforceable, first lien
7 positions. Aurora would not have purchased these loans had it known that they were fraudulent.

8 C. First Collateral

9 4. On December 2, 2004, I spoke with JoAnne Holbert, Vice President in Charge of Workouts,
10 First Collateral, a federally insured financial institution, a warehouse bank based in Concord,
11 California. Holbert told me that First Collateral is a subsidiary of CitiMortgage, which is a
12 subsidiary of CitiGroup. On November 1, 2004, Holbert learned from managers at First Collateral
13 that there were problems with loans sold to First Collateral from CHL. The agreement between First
14 Collateral and CHL required CHL to assign the mortgage note and deed of trust to First Collateral
15 after a residential mortgage loan was funded by CHL through an independent line of credit. Holbert
16 initially found 11 loans that were still on the First Collateral's line of credit and were "stale",
17 meaning they had not been bought by an end investor within the 45 day required time period. Of
18 these 11 loans, 5 of the loans, worth approximately \$2.2 million, have been deemed the most
19 problematic.

20 5. On December 6, 2004, I spoke with Ann Arroyo, an investigator for First Collateral, who
21 informed me of the following:

22 a. Arroyo spoke with borrower Terry Rummel on December 3, 2004, who told Arroyo that he
23 and his wife procured a loan through CHL on May 15, 2003. This loan was sold to Aurora
24 Lending, and then sold again to CitiMortgage (First Collateral). In May of 2004, Rummel and
25 his wife re-financed the loan. They took out a first loan of \$790,000 and a second loan of
26 \$150,000. They were about to leave on a trip to Italy, so they left a deposit ticket with Larry
27 Seidenfeld to deposit the \$150,000 into Rummel's account. Seidenfeld was to take the \$790,000
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1 and pay off the prior ^{lien} ~~loan~~ to CitiMortgage. Instead, the \$790,000 went back to CHL. This is
2 confirmed on the settlement statement, called a HUD1. Rummel came back from Italy, contacted
3 Seidenfeld so he could pick up his loan documents and find out where he was supposed to make
4 his loan payments. Seidenfeld told Rummel not to worry about it; they would make his
5 payments for him for a while. On October 21, 2004, another loan on Rummel's property was
6 taken out without his knowledge. The lender on this loan is CHL and the warehouse bank is
7 First Collateral. To date, Rummel has been contacted by four warehouse banks, inquiring about
8 loans on his property: First Collateral, CitiMortgage (First Collateral), Greenpoint, and Gateway.

9 **D. First Horizon Home Loan Corporation**

10 6. On approximately December 1, 2004, the FBI received a declaration of Margo Olson. In this
11 declaration, Ms. Olson states that from approximately 1980 - 1987, she was a bookkeeper and
12 prepared the personal tax returns for Seidenfeld. Beginning in 2000 through to the present, she
13 reconciled the corporation's bank statements and prepared the corporation's tax returns. In July
14 2003, Ms. Olson refinanced the mortgage on her residence through CHL. She has not applied for
15 or obtained any other mortgage loans from any lender since that July 2003 transaction with CHL.
16 On March 19, 2004, she received a letter from Greenpoint Lending concerning a purported
17 \$414,562.22 loan on her property. She never applied for or obtained this loan. Ms. Olson asked
18 Seidenfeld about this transaction. He told her it was simply a "processing error," and to disregard
19 the letter from Greenpoint Lending. On August 24, 2004, she received a monthly loan statement
20 from First Horizon Home Loan Corporation ("First Horizon"). [First Horizon is an investor of
21 mortgage notes.] She never applied for or obtained a loan from First Horizon. The First Horizon
22 statement was in Ms. Olson's name but addressed to Post Office Box 158 in the San Ramon Post
23 Office. Ms. Olson had no knowledge of this Post Office Box. (This investigation has determined
24 that Seidenfeld opened this post office box in the name of CHL for personal and business use and
25 that Ed Batayeh, Robert Bindt, Martin Esparza and Margo Olson may access it). Ms. Olson asked
26 Seidenfeld about the First Horizon loan statement. He again told her it was a "processing error" and
27 to disregard the statement. On November 16, 2004, Ms. Olson received a telephone call from First
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1 Horizon, advising her that she was 2 months delinquent on her loan. She advised First Horizon that
2 she had never applied for or received a loan from First Horizon. Ms. Olson reviewed the signatures
3 contained on 3 loan applications. She stated that the signatures on the loan applications, notes and
4 deeds of trust are not hers.

5 7. On approximately December 1, 2004, the FBI received a declaration of Dean McGee, Vice
6 President and Asset Recovery Manager for First Horizon, where he has been primarily responsible
7 for investigating and managing the recovery efforts relating to major frauds for First Horizon. Mr.
8 McGee states that he has been involved in investigating CHL for mortgage fraud and has identified
9 9 loans in which CHL was making payments through its general business accounts. Mr. McGee
10 states that "the payment of monthly loan installments is an indicator of fraud, because it is evidence
11 of a scheme whereby the named borrower has no participation in or knowledge of the purported
12 residential mortgage loan. This pattern of fraud is known as Stolen Identity Fraud." Mr. McGee
13 identified 11 loans, totaling \$5,270,518.30, in which monthly installments were paid by CHL.

14 8. Mr. McGee stated that based on his review of First Horizon's wire transfers and the Union
15 Bank statements, CHL diverted the First Horizon loan proceeds to CHL's Union Bank account
16 #1690011995. This money was supposed to pay off the warehouse line of credit held by Access
17 Lending.

18 9. On November 24, 2004, based on Olson's and McGee's declarations, First Horizon obtained
19 a temporary restraining order from the Superior Court of the State of California for the County of
20 Contra Costa preventing CHL or Seidenfeld from transferring, spending, giving away, removing,
21 encumbering or delivering any funds held in any of CHL or Seidenfeld bank accounts or any cash.

22 F. Access Lending Corporation

23 10. On December 3, 2004, I spoke with Cheryl Jeter, General Counsel for Access Lending
24 Corporation, a warehouse lender located in Sugar Land, Texas, and learned that CHL purchased 3
25 mortgage companies in Southern California for approximately \$2 million cash each. On May 5,
26 2004, Seidenfeld purchased Primary Mortgage Group at 27201 Puerta Real, Suite 220, Mission Viejo
27 for \$2.35 million cash. On May 24, 2004, Seidenfeld purchased Premier Mortgage Group, LLC,
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1 2151 Michelson Drive, Suite 295, Irvine, CA for \$2.1 million cash. On August 25, 2004, Seidenfeld
2 purchased Lindstrom Financial Group at 2134 Main Street, #280, Huntington Beach, CA, for \$2
3 million cash and \$250,000 in escrow. Based on my training and experience, I know that persons
4 launder money obtained from Bank Fraud by purchasing assets such as legitimate businesses. Ms.
5 Jeter identified 10 loans, totaling over \$4.8 million, that Access Lending bought from CHL, which
6 appear to be problematic.

7 11. I reviewed Seidenfeld's criminal history. On May 4, 1979, he pled *nolo contendere* to Grand
8 Theft and was sentenced to 3 years probation and 6 months jail (sentenced suspended). On
9 November 12, 2003, he pled guilty to Bank Fraud, 18 U.S.C. § 1344, and was sentenced to 1 day jail,
10 3 years supervised release and a \$10,000 fine. I was the Special Agent on this federal criminal case
11 and know that Seidenfeld was involved in residential mortgage fraud in which he altered and
12 submitted false credit reports in order to obtain loans for individuals with bad credit.

13 III. STATEMENT OF PROBABLE CAUSE

14 Based on all of the facts and circumstances described in this affidavit for search warrant, along
15 with my training, experience, and consultations with others, there is probable cause to believe that
16 Seidenfeld and CHL have been engaging in Bank Fraud, in violation of 18 U.S.C. § 1344, by
17 fraudulently obtaining residential property loans on borrowers (the property owner) without the
18 borrower's approval or knowledge, and then selling these loans multiple times to various warehouse

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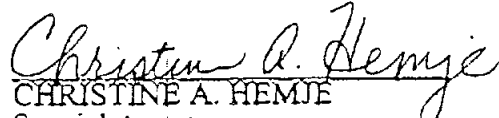
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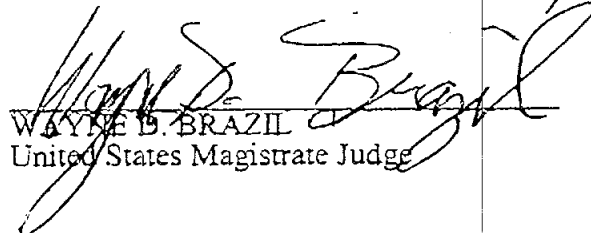
1 banks/lenders and investors, without the warehouse banks/lenders and investors' knowledge.

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3 I declare under the penalty that the foregoing is true and correct to the best of my knowledge and
4 belief.

5 Executed on this 9th day of December 2004, at Oakland, CA.

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7 
8 CHRISTINE A. HEMJE
9 Special Agent
Federal Bureau of Investigation

10 Sworn and subscribed before me on this 9 day of December 2004.

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13 WAYNE D. BRAZIL
14 United States Magistrate Judge
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